



*The Royal Bank of Scotland Group*

# Make it happen

strength

diversity

flexibility



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# 2005 Interim Results

4 August 2005



*The Royal Bank of Scotland Group*

**Sir George Mathewson**  
**Chairman**

# 2005 Interim Results

	<i>2005</i> <i>£m</i>	<i>2004</i> <i>£m</i>	<i>Change</i>
Total income	12,465	10,861	+15%
Profit before tax, amortisation of intangibles and integration costs (Group operating profit)	4,011	3,413	+18%
Profit before tax	3,688	3,231	+14%

*2004 pro forma*

# 2005 Interim Results

	<i>2005</i> <i>pence</i>	<i>2004</i> <i>pence</i>	<i>Change</i>
Basic earnings per ordinary share	79.8	76.4	+4%
Adjusted earnings per ordinary share	86.7	80.6	+8%
Dividend per ordinary share	19.4	16.8	+15%

*2004 pro forma*

# 2005 Interim Results

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## *Agenda*

- Group and Divisional Results
- Review and Outlook



*The Royal Bank of Scotland Group*

**Fred Watt**  
**Group Finance Director**





# Group and Divisional Results

# 2005 Interim Results

	<i>2005 £m</i>	<i>2004 £m</i>	<i>Change</i>
Group operating profit	4,011	3,413	+18%
Amortisation of intangibles	42	4	
Integration costs	281	178	
Profit before tax	3,688	3,231	+14%

*2004 pro forma*

# Group Operating Profit

	<i>2005</i> <i>£m</i>	<i>2004</i> <i>£m</i>	<i>Change</i> <i>£m</i>	<i>Change</i>
Total income	12,465	10,861	1,604	+15%
Operating expenses	5,485	4,744	741	+16%
Income less expenses	6,980	6,117	863	+14%
Net insurance claims	2,122	1,921	201	+10%
Provisions	847	783	64	+8%
<b>Group operating profit</b>	<b>4,011</b>	<b>3,413</b>	<b>598</b>	<b>+18%</b>

*2004 pro forma*

# Group Operating Profit

<i>Excl Acquisitions and at Constant Exchange Rates</i>	<i>2005 £m</i>	<i>2004 £m</i>	<i>Change £m</i>	<i>Change</i>
Total income	11,874	10,795	1,079	+10%
Operating expenses	5,162	4,715	447	+9%
Income less expenses	6,712	6,080	632	+10%
Net insurance claims	2,122	1,921	201	+10%
Provisions	809	768	41	+5%
<b>Group operating profit</b>	<b>3,781</b>	<b>3,391</b>	<b>390</b>	<b>+12%</b>

*2004 pro forma*

# Income

	<i>2005</i>	<i>2004</i>	<i>Change</i>	<i>Change</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	
Corporate Banking & Financial Markets	4,308	3,713	595	+16%
Retail Markets	3,972	3,749	223	+6%
Retail Banking	2,621	2,536	85	+3%
Retail Direct	957	847	110	+13%
Wealth Management	394	366	28	+8%
Manufacturing	—	—	—	—
Citizens	1,548	926	622	+67%
RBS Insurance	2,676	2,494	182	+7%
Ulster Bank	408	354	54	+15%
Central items	(447)	(375)	(72)	-19%
<b>Total income</b>	<b>12,465</b>	<b>10,861</b>	<b>1,604</b>	<b>+15%</b>

*2004 pro forma*

# Net Interest Margin

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	<i>2005</i> %	<i>2004</i> %
Group	2.60%	2.83%

*2004 pro forma*

# Net Interest Margin

<b>1H 2004</b>	<b>2.83%</b>
Funding rental assets	-0.02%
Organic mortgage growth	-0.09%
Deposit mix	-0.03%
US yield curve	-0.04%
Consumer loan book – UK	-0.03%
Other	-0.02%
<b>1H 2005</b>	<b>2.60%</b>

# Expenses

	<i>2005</i>	<i>2004</i>	<i>Change</i>	<i>Change</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	
Corporate Banking & Financial Markets	1,589	1,406	183	+13%
Retail Markets	1,163	1,120	43	+4%
Retail Banking	620	609	11	+2%
Retail Direct	354	325	29	+9%
Wealth Management	189	186	3	+2%
Manufacturing	1,317	1,211	106	+9%
Citizens	738	441	297	+67%
RBS Insurance	345	333	12	+4%
Ulster Bank	127	118	9	+8%
Central items	206	115	91	+79%
<b>Operating expenses</b>	<b>5,485</b>	<b>4,744</b>	<b>741</b>	<b>+16%</b>

*2004 pro forma*



# Cost:Income Ratio

	<i>2005</i> %	<i>2004</i> %
Group, excluding acquisitions	41.7	41.8
Acquisitions	0.5	—
<b>Reported</b>	<b>42.2</b>	<b>41.8</b>

*2004 pro forma*

*Calculated after netting operating lease depreciation against rental income*

# Provisions

<i>Half Year Ending</i>	<i>Jun 2005 £m</i>	<i>Jun 2004 £m</i>
<b>Provisions</b>	<b>847</b>	<b>783</b>
Annualised bad debt charge as percentage of gross loans and advances to customers*	0.48%	0.55%

\* *Excluding reverse repos  
2004 pro forma*

# Provisions

	<i>2005</i>	<i>2004</i>	<i>Change</i>	<i>Change</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	
Corporate Banking & Financial Markets	185	253	(68)	-27%
Retail Markets	570	458	112	+24%
Retail Banking	295	250	45	+18%
Retail Direct	278	208	70	+34%
Wealth Management	(3)	0	(3)	–
Manufacturing	–	–	–	–
Citizens	61	55	6	+11%
RBS Insurance	–	–	–	–
Ulster Bank	30	24	6	+25%
Central items	1	(7)	8	–
<b>Provisions</b>	<b>847</b>	<b>783</b>	<b>64</b>	<b>+8%</b>

*2004 pro forma*

# Asset Quality

<i>£m</i>	<i>30 Jun 2005</i>	<i>1 Jan 2005</i>
Bad debt provisions	4,111	4,140
Risk elements in lending and potential problem loans	5,793	5,899
Risk elements in lending and potential problem loans as a percentage of gross loans and advances to customers*	1.64%	1.85%
Bad debt provisions as a percentage of risk elements in lending and potential problem loans	71%	70%

\* Excluding reverse repos

# Group Operating Profit

	<i>2005</i> <i>£m</i>	<i>2004</i> <i>£m</i>	<i>Change</i> <i>£m</i>	<i>Change</i>
Total income	12,465	10,861	1,604	+15%
Operating expenses	5,485	4,744	741	+16%
Net insurance claims	2,122	1,921	201	+10%
Operating profit before provisions	4,858	4,196	662	+16%
Provisions	847	783	64	+8%
<b>Group operating profit</b>	<b>4,011</b>	<b>3,413</b>	<b>598</b>	<b>+18%</b>

*2004 pro forma*

# Corporate Banking & Financial Markets

	<i>2005</i>	<i>2004</i>	<i>Change</i>
	<i>£m</i>	<i>£m</i>	
Net interest income	1,467	1,355	+8%
Non-interest income	2,841	2,358	+20%
Total income	4,308	3,713	+16%
Direct expenses	1,589	1,406	+13%
Contribution before provisions	2,719	2,307	+18%
Provisions	185	253	-27%
<b>Contribution</b>	<b>2,534</b>	<b>2,054</b>	<b>+23%</b>

*2004 pro forma*

# Retail Markets

	<i>2005</i>	<i>2004</i>	<i>Change</i>
	<i>£m</i>	<i>£m</i>	
Net interest income	2,181	2,148	+2%
Non-interest income	1,791	1,601	+12%
Total income	3,972	3,749	+6%
Direct expenses	1,163	1,120	+4%
Claims	226	170	+33%
Contribution before provisions	2,583	2,459	+5%
Provisions	570	458	+24%
<b>Contribution</b>	<b>2,013</b>	<b>2,001</b>	<b>+1%</b>

*Retail Markets includes Retail Banking, Retail Direct, and Wealth Management, 2004 pro forma*

# Retail Markets

## Retail Banking

	<i>2005</i>	<i>2004</i>	<i>Change</i>
	<i>£m</i>	<i>£m</i>	
Net interest income	1,542	1,567	-2%
Non-interest income	1,079	969	+11%
Total income	2,621	2,536	+3%
Direct expenses	620	609	+2%
Claims	226	170	+33%
Contribution before provisions	1,775	1,757	+1%
Provisions	295	250	+18%
<b>Contribution</b>	<b>1,480</b>	<b>1,507</b>	<b>-2%</b>

*2004 pro forma*



# Retail Markets

## Retail Direct

	<i>2005</i>	<i>2004</i>	<i>Change</i>
	<i>£m</i>	<i>£m</i>	
Net interest income	425	378	+12%
Non-interest income	532	469	+13%
Total income	957	847	+13%
Direct expenses	354	325	+9%
Contribution before provisions	603	522	+16%
Provisions	278	208	+34%
<b>Contribution</b>	<b>325</b>	<b>314</b>	<b>+4%</b>

*2004 pro forma*

# Retail Markets

## Wealth Management

	<i>2005</i>	<i>2004</i>	<i>Change</i>
	<i>£m</i>	<i>£m</i>	
Net interest income	214	203	+5%
Non-interest income	180	163	+10%
Total income	394	366	+8%
Expenses	189	186	+2%
Contribution before provisions	205	180	+14%
Net release of provisions	(3)	0	
<b>Contribution</b>	<b>208</b>	<b>180</b>	<b>+16%</b>

*2004 pro forma*

# Manufacturing

	<i>2005</i> <i>£m</i>	<i>2004</i> <i>£m</i>	<i>Change</i>
Group Technology	449	406	+11%
Group Purchasing and Property Operations	485	438	+11%
Customer Support and other operations	383	367	+4%
<b>Total Manufacturing costs</b>	<b>1,317</b>	<b>1,211</b>	<b>+9%</b>

# Citizens

	<i>2005</i>	<i>2004</i>	<i>Change</i>
	<i>£m</i>	<i>£m</i>	
Net interest income	1,023	671	+52%
Non-interest income	525	255	+106%
Total income	1,548	926	+67%
Expenses	738	441	+67%
Contribution before provisions	810	485	+67%
Provisions	61	55	+11%
<b>Contribution</b>	<b>749</b>	<b>430</b>	<b>+74%</b>

*2004 pro forma*

# Citizens

	<i>2005</i>	<i>2004</i>	<i>Change</i>
	<i>\$m</i>	<i>\$m</i>	
Net interest income	1,916	1,224	+57%
Non-interest income	985	463	+113%
Total income	2,901	1,687	+72%
Expenses	1,383	804	+72%
Contribution before provisions	1,518	883	+72%
Provisions	115	99	+16%
<b>Contribution</b>	<b>1,403</b>	<b>784</b>	<b>+79%</b>

*2004 pro forma*

# Citizens

<i>Excluding Charter One</i>	<i>2005</i>	<i>2004</i>	<i>Change</i>
	<i>\$m</i>	<i>\$m</i>	
Net interest income	1,306	1,224	+7%
Non-interest income	584	463	+26%
Total income	1,890	1,687	+12%
Expenses	920	804	+14%
Contribution before provisions	970	883	+10%
Provisions	83	99	-16%
<b>Contribution</b>	<b>887</b>	<b>784</b>	<b>+13%</b>

*2004 pro forma*

# Charter One

<i>Contribution from Charter One</i>	<i>1H05</i> <i>\$m</i>
Operating profit	516
Net securities gains	16
<b>Underlying profit – 1H05</b>	<b>500</b>
<b>Charter One profit – 1H04</b>	<b>420</b>

*1H04 Charter One profit is US GAAP excluding net securities gains \$59m and FHLB prepayment penalty \$164m*

# RBS Insurance

	<i>2005</i>	<i>2004</i>	<i>Change</i>
	<i>£m</i>	<i>£m</i>	
Insurance premium income	2,645	2,492	+6%
Net fees and commission	(230)	(207)	-11%
Other income	261	209	+25%
Total income	2,676	2,494	+7%
Expenses	345	333	+4%
Net claims	1,896	1,751	+8%
<b>Contribution</b>	<b>435</b>	<b>410</b>	<b>+6%</b>

*2004 pro forma*



# RBS Insurance

<i>Contribution from Churchill</i>	<i>1H05</i>
	<i>£m</i>
Included in RBS Insurance	149
IT and property costs included in Manufacturing	(46)
<b>Net contribution to Group – 1H05</b>	<b>103</b>
<b>Churchill profit – full year 2002</b>	<b>86</b>

*Full year 2002 Churchill profit is UK GAAP*

# Ulster Bank

	<i>2005</i>	<i>2004</i>	<i>Change</i>
	<i>£m</i>	<i>£m</i>	
Net interest income	306	260	+18%
Non-interest income	102	94	+9%
Total income	408	354	+15%
Expenses	127	118	+8%
Contribution before provisions	281	236	+19%
Provisions	30	24	+25%
<b>Contribution</b>	<b>251</b>	<b>212</b>	<b>+18%</b>

*2004 pro forma*

# Ulster Bank

<i>Contribution from First Active</i>	<i>1H05 £m</i>
Included in Ulster Bank	41
IT and property costs included in Manufacturing	(10)
<b>Net contribution to Group – 1H05</b>	<b>31</b>
<b>First Active profit – 1H03</b>	<b>23</b>

# Group Operating Profit

	<i>2005</i>	<i>2004</i>	<i>Change</i>	<i>Change</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	
Corporate Banking & Financial Markets	2,534	2,054	480	+23%
Retail Markets	2,013	2,001	12	+1%
Retail Banking	1,480	1,507	(27)	-2%
Retail Direct	325	314	11	+4%
Wealth Management	208	180	28	+16%
Manufacturing	(1,317)	(1,211)	(106)	-9%
Citizens	749	430	319	+74%
RBS Insurance	435	410	25	+6%
Ulster Bank	251	212	39	+18%
Central items	(654)	(483)	(171)	-35%
<b>Group operating profit</b>	<b>4,011</b>	<b>3,413</b>	<b>598</b>	<b>+18%</b>

*2004 pro forma*

# Earnings Per Share

	<i>1H05</i> <i>pence</i>	<i>1H04</i> <i>pence</i>	<i>Change</i>
Basic earnings per share	79.8	76.4	+4%
Adjusted earnings per share	86.7	80.6	+8%
Dividend per share	19.4	16.8	+15%
Dividend cover	4.5x	4.8x	

*2004 pro forma*

*Dividend cover before intangibles amortisation and integration costs*

# Capital Ratios

	<i>30 Jun 2005 IFRS</i>	<i>1 Jan 2005 IFRS</i>
Tier 1 capital	6.6%	6.7%
Total capital	11.4%	11.6%

# Capital Ratios

	<i>30 Jun 2005</i>	<i>1 Jan 2005</i>
<b>IFRS Tier 1 capital</b>	<b>6.6%</b>	<b>6.7%</b>
<i>IFRS adjustments</i>		
– Transition adjustments	0.7%	0.7%
– Dividends	(0.2%)	(0.4%)
<b>UK GAAP Tier 1 capital</b>	<b>7.1%</b>	<b>7.0%</b>

# IFRS Impact on 2004 Operating Profit

	<i>1H04 £m</i>	<i>Change</i>
<b>UK GAAP</b>	<b>3,851</b>	
<i>Implementation of IFRS</i>		
Presentational changes which reduce operating profit but not earnings		
– Preference share payments	(212)	-5%
– Proportionate consolidation of TPF	(45)	-1%
Timing of recognition of income and costs	(181)	-5%
<b>IFRS pro forma</b>	<b>3,413</b>	<b>-11%</b>



# IFRS Impact on 2004 Adjusted EPS

	<i>1H04</i>	<i>Change</i>
	<i>pence</i>	
<b>UK GAAP</b>	<b>84.4</b>	
IFRS (other than IAS 32 + IAS 39)	(0.5)	-1%
Statutory basis	83.9	
IAS 32 + IAS 39	(3.3)	-4%
<b>IFRS pro forma</b>	<b>80.6</b>	<b>-5%</b>



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**Sir Fred Goodwin**  
**Group Chief Executive**



*The Royal Bank of Scotland Group*

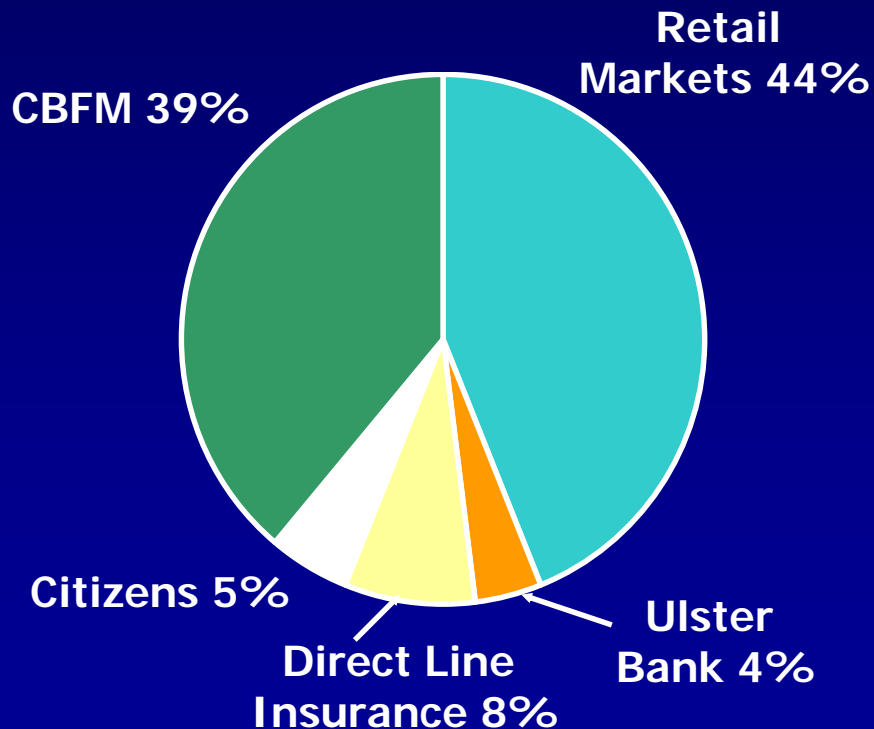
**strength**

**diversity**

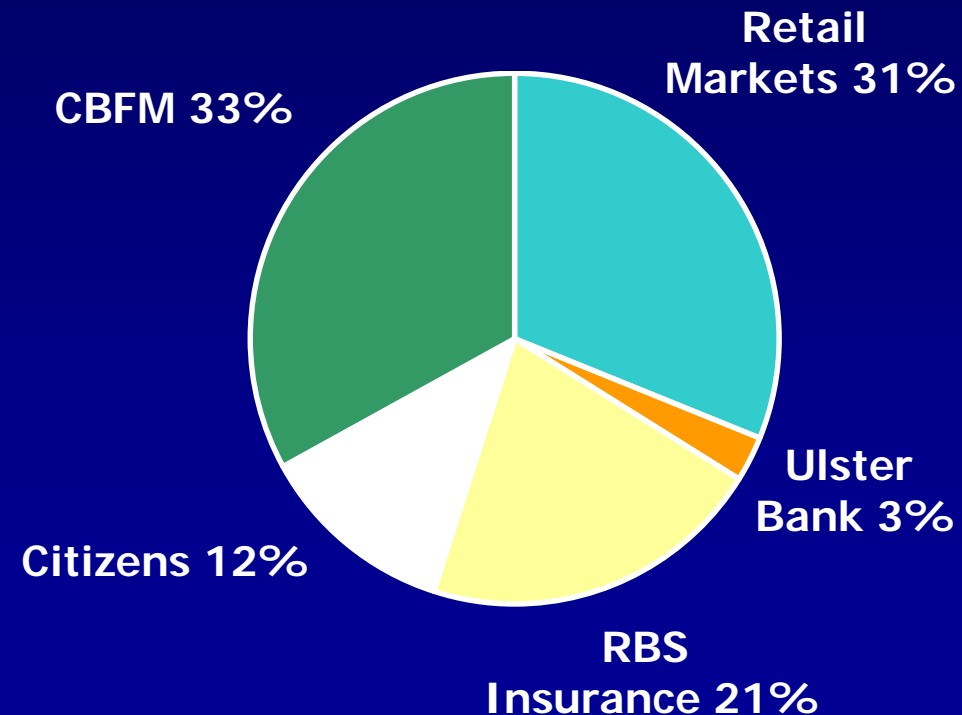
**flexibility**

# Diversity – by Business Mix

*1999 Income  
Pro forma*



*1H05 Income*

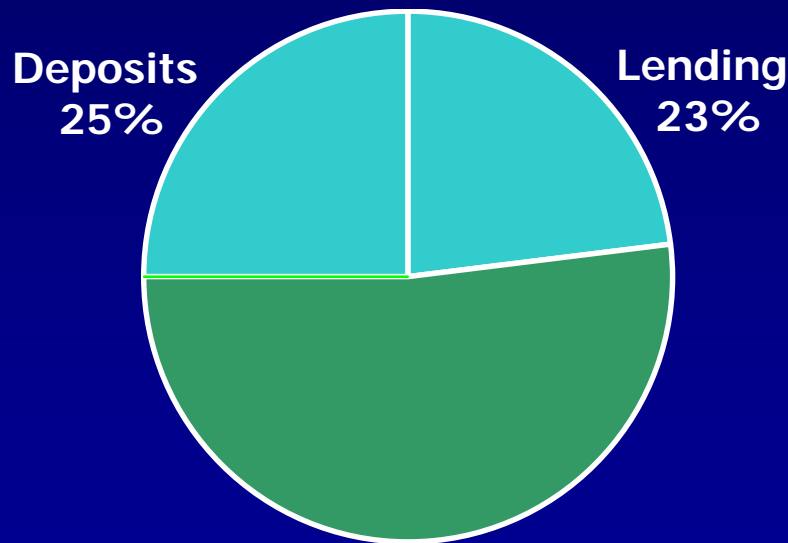


*1999 income is pro forma as if the acquisition of NatWest had taken place on 1 January 1999*

# Diversity – by Type of Income

## *1999 Income Pro forma*

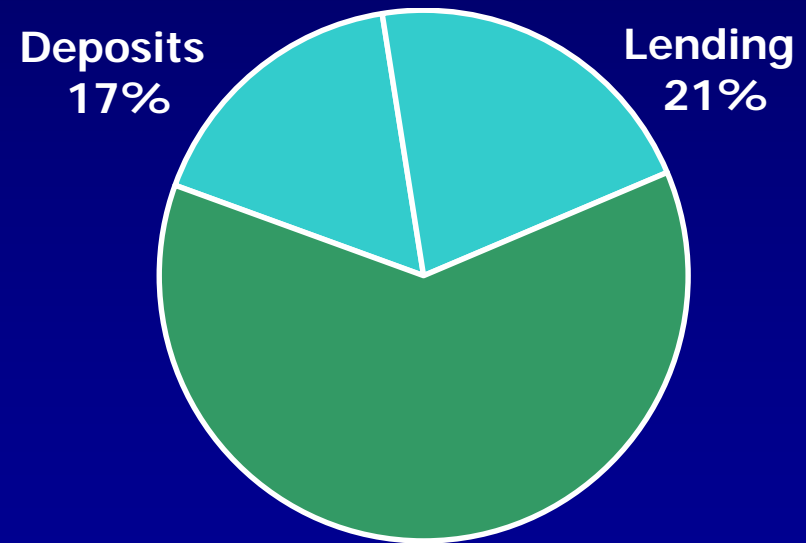
**Net Interest Income 48%**



**Non-Interest Income 52%**

## *1H05 Income*

**Net Interest Income 38%**

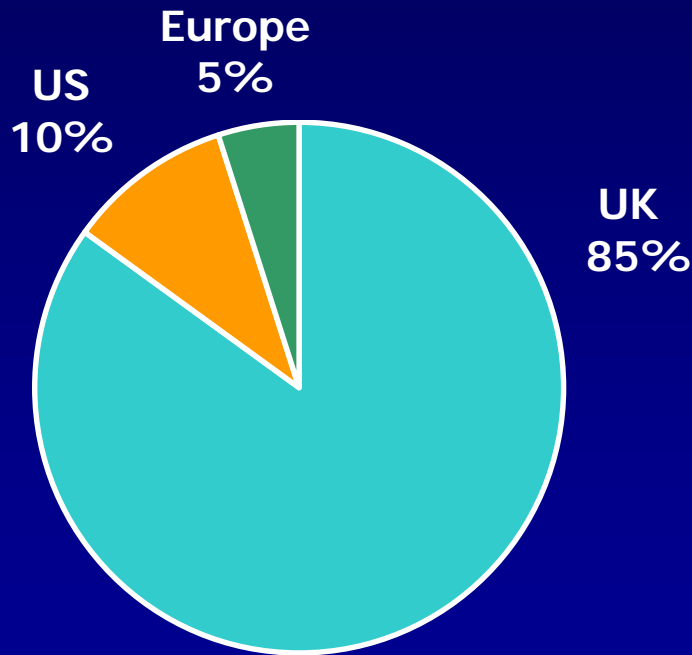


**Non-Interest Income 62%**

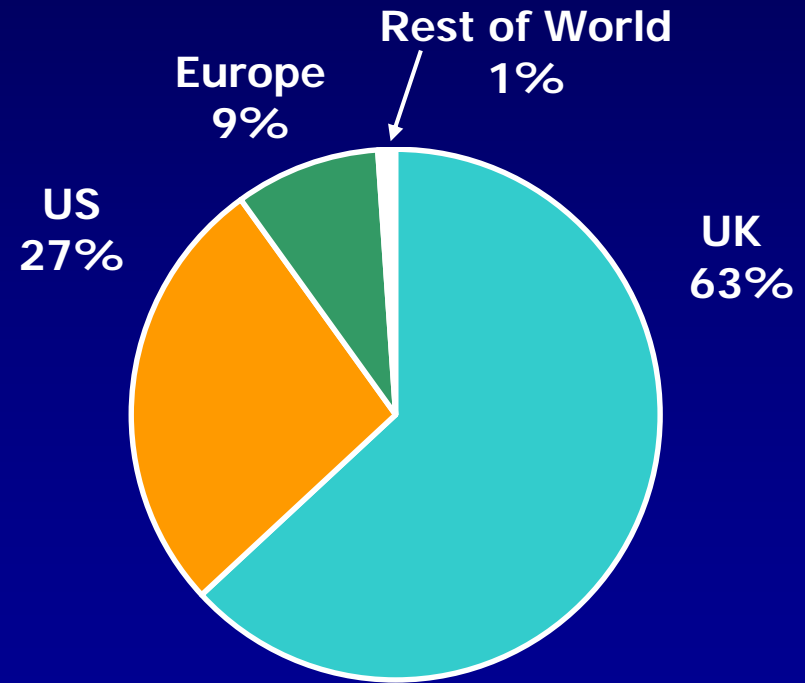
*1999 income is pro forma as if the acquisition of NatWest had taken place on 1 January 1999*

# Diversity – by Geographic Mix

*1999 Operating Profit  
Pro forma*

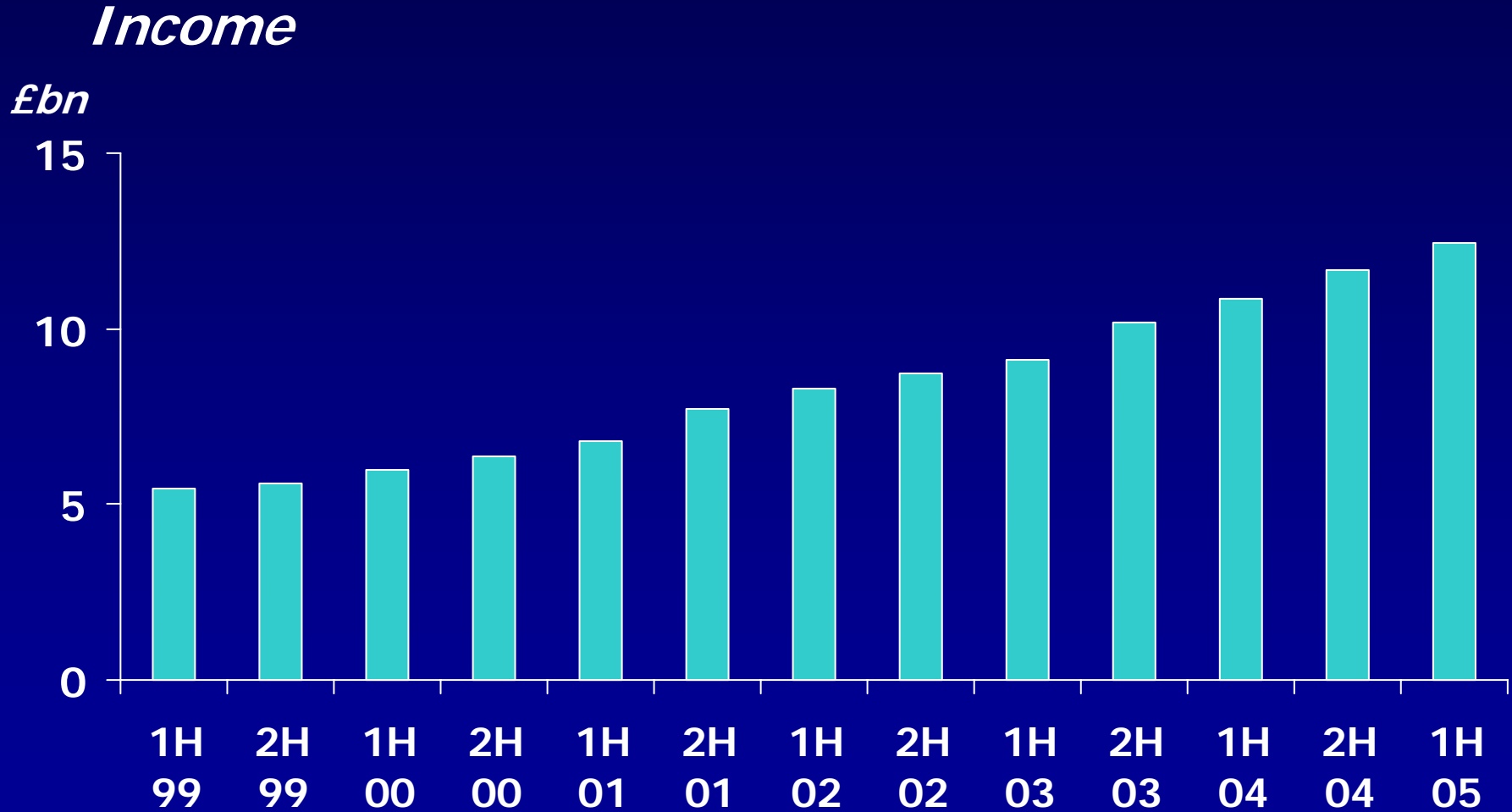


*1H05 Operating Profit*



*1999 operating profit is pro forma as if the acquisition of NatWest had taken place on 1 January 1999*

# Consistent Income Growth





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**Johnny Cameron**  
**Chief Executive**

**Corporate Banking & Financial Markets**



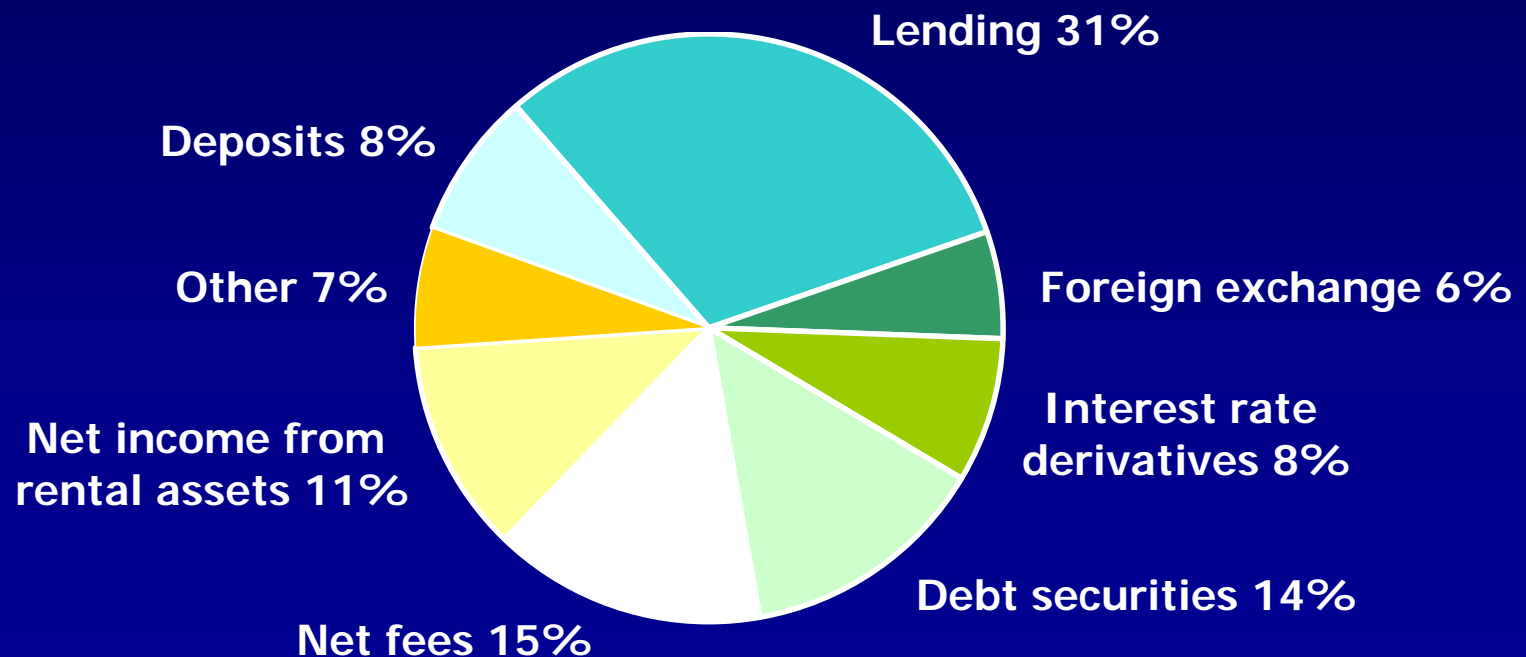
# Corporate Banking & Financial Markets

	<i>2005</i> <i>£m</i>	<i>2004</i> <i>£m</i>	<i>Change</i>
Net interest income	1,467	1,355	+8%
Non-interest income	2,841	2,358	+20%
Total income	4,308	3,713	+16%
Direct expenses	1,589	1,406	+13%
Contribution before provisions	2,719	2,307	+18%
Provisions	185	253	-27%
<b>Contribution</b>	<b>2,534</b>	<b>2,054</b>	<b>+23%</b>

*2004 pro forma*

# Corporate Banking & Financial Markets

*1H05 Income £4,308m*

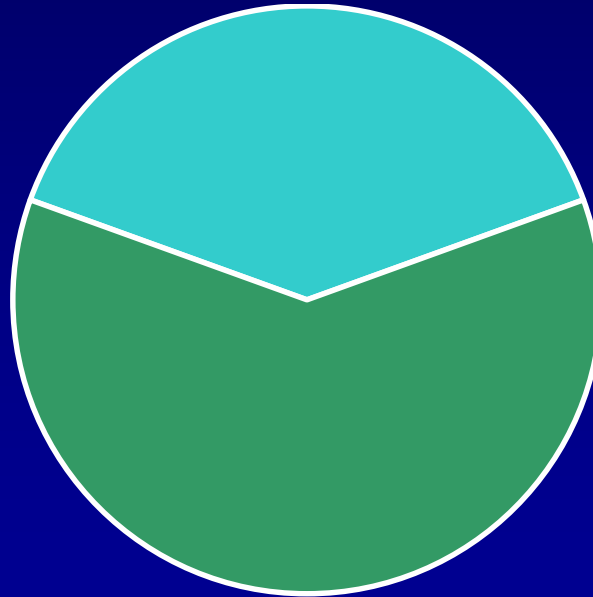


*The funding cost of rental assets has been netted against income from rental assets*

# Corporate Banking & Financial Markets

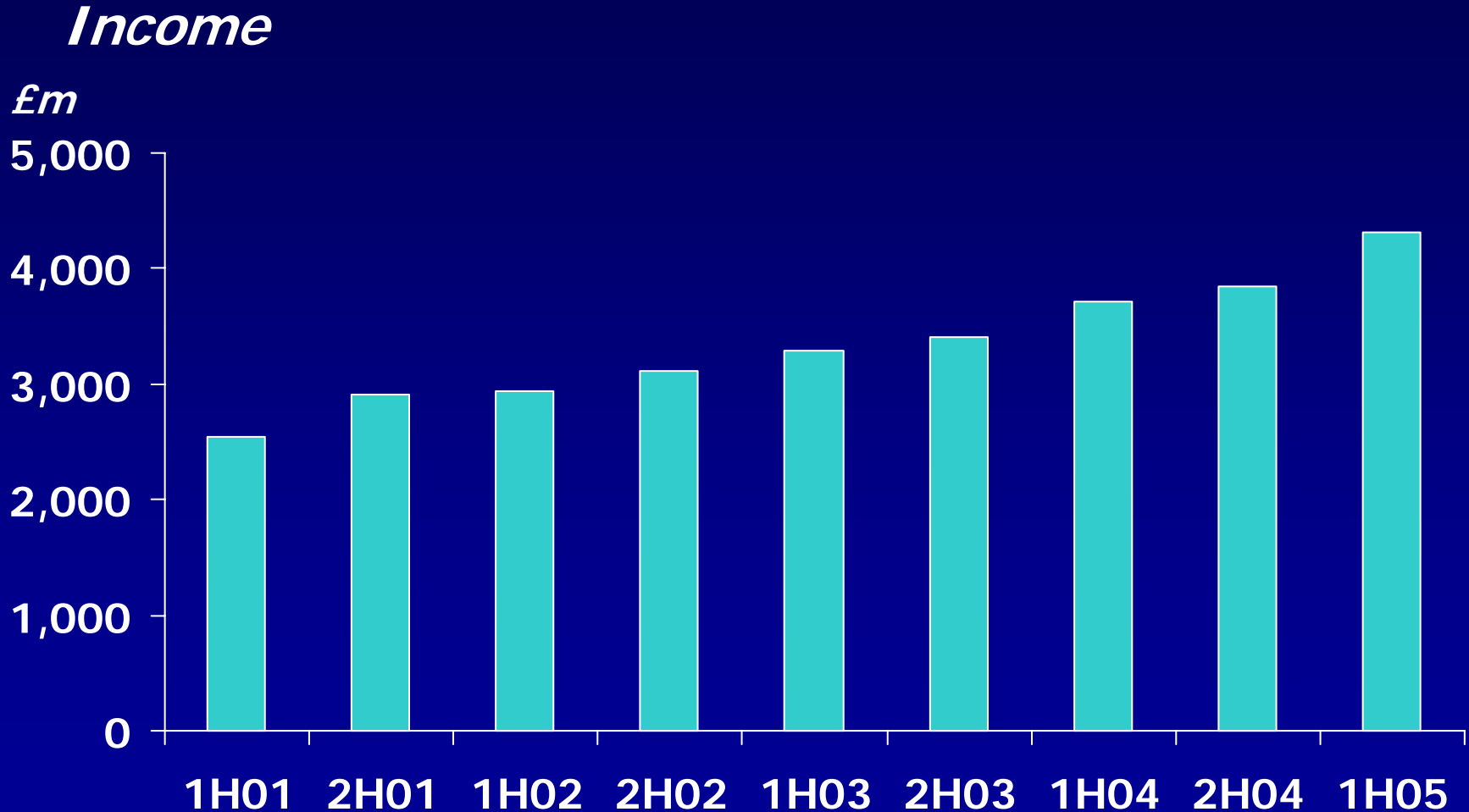
*1H05 Income £4,308m*

**Net Interest Income 39%**



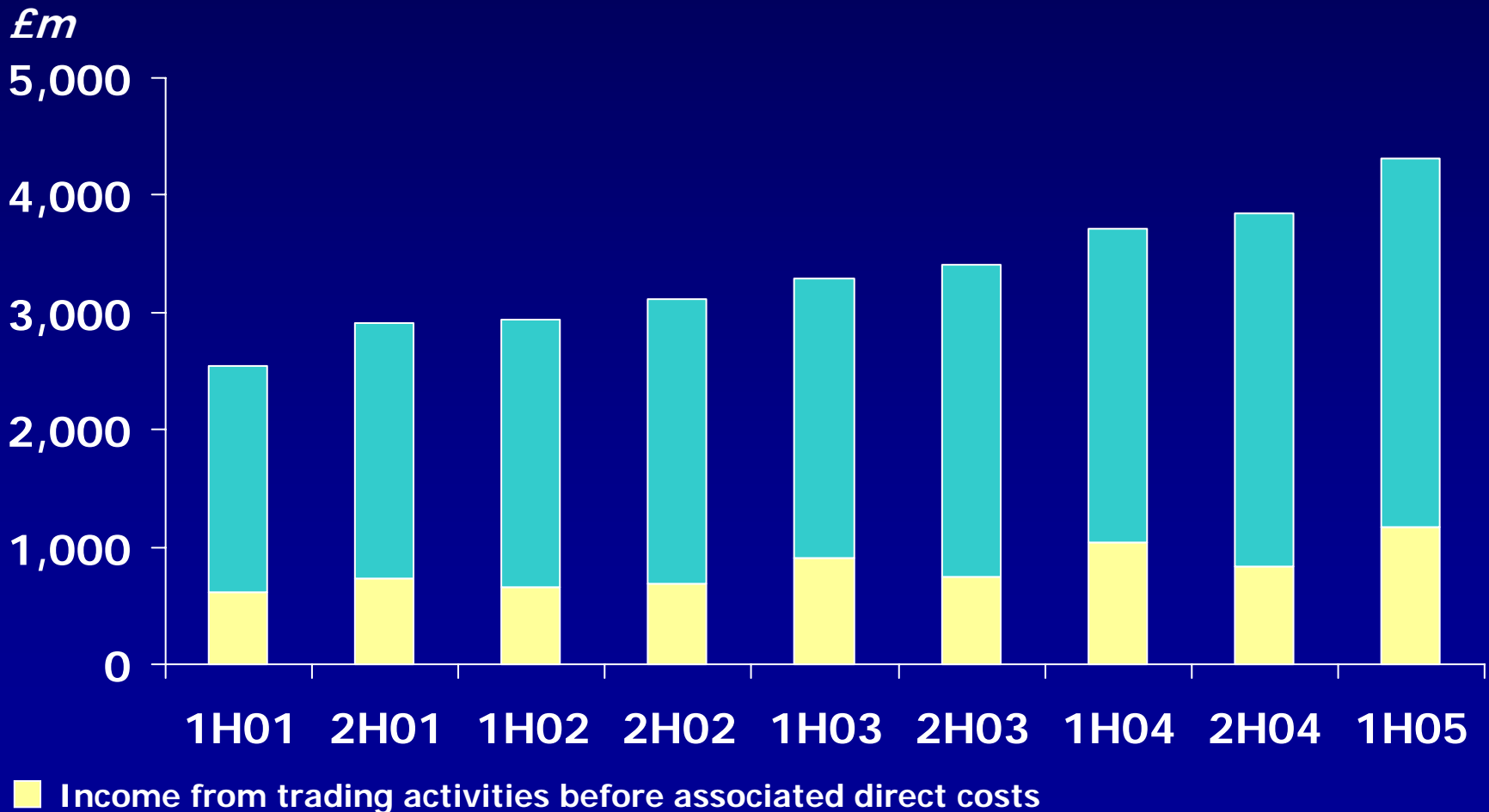
**Non-Interest Income 61%**

# Corporate Banking & Financial Markets



# Corporate Banking & Financial Markets

## *Income*



# Corporate Banking & Financial Markets

<i>Income</i>	<i>1H05</i>	<i>1H04</i>	<i>Change</i>
UK (£m)	3,228	2,810	+15%
Europe (€m)	447	319	+40%
US (\$m)	1,302	1,143	+14%
– RBS Greenwich Capital	915	870	+5%
– Other US	387	273	+42%
Rest of World (\$m)	147	111	+32%

# Corporate Banking & Financial Markets

## *Syndicated Loan Markets*

	<i>Ranking</i>	<i>Volume 1H05</i>	<i>Market Share</i>		
			<i>1H05</i>	<i>2004</i>	<i>2003</i>
UK	#2	\$19.1bn	18.3%	13.6%	11.5%
Continental Europe	#5	\$32.4bn	7.2%	5.0%	2.6%
Total EMEA	#3	\$53.1bn	8.8%	7.1%	5.0%
US	#11	\$8.2bn	1.1%	0.7%	0.2%

*Source: Thomson Financial and Loan Pricing Corporation*

# Corporate Banking & Financial Markets

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## *Outlook*

- Competitive markets
- Good momentum across activities
- Still many organic growth opportunities
- No change in relationship strategy
- Investor presentation on 3 October





**Gordon Pell**  
**Executive Chairman**  
**Retail Markets**

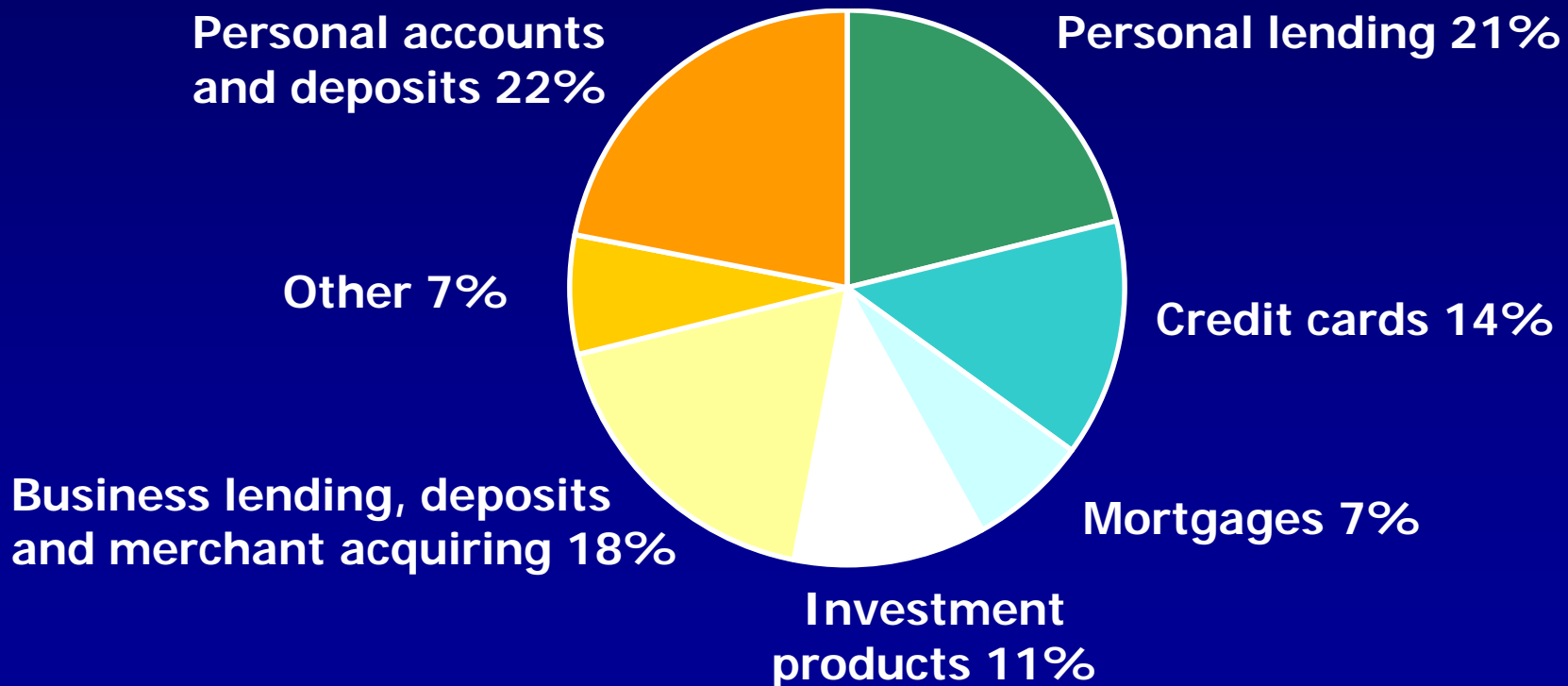
# Retail Markets

	<i>2005</i>	<i>2004</i>	<i>Change</i>
	<i>£m</i>	<i>£m</i>	
Net interest income	2,181	2,148	+2%
Non-interest income	1,791	1,601	+12%
Total income	3,972	3,749	+6%
Direct expenses	1,163	1,120	+4%
Claims	226	170	+33%
Contribution before provisions	2,583	2,459	+5%
Provisions	570	458	+24%
<b>Contribution</b>	<b>2,013</b>	<b>2,001</b>	<b>+1%</b>

*Retail Markets includes Retail Banking, Retail Direct and Wealth Management, 2004 pro forma*

# Retail Markets

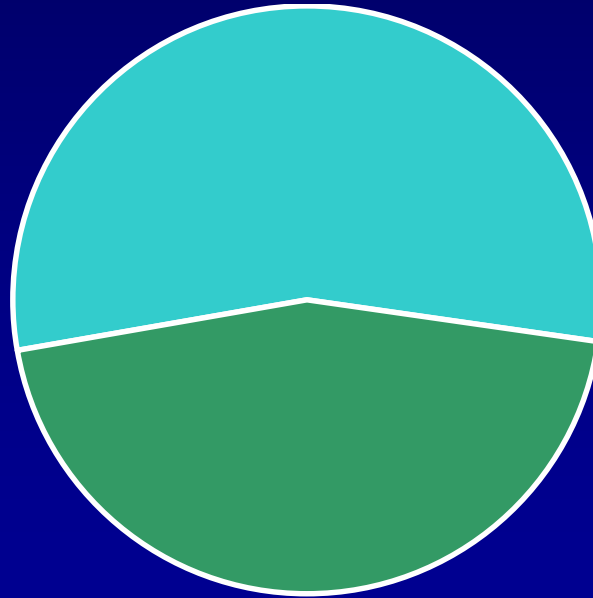
*1H05 Income £3,972m*



# Retail Markets

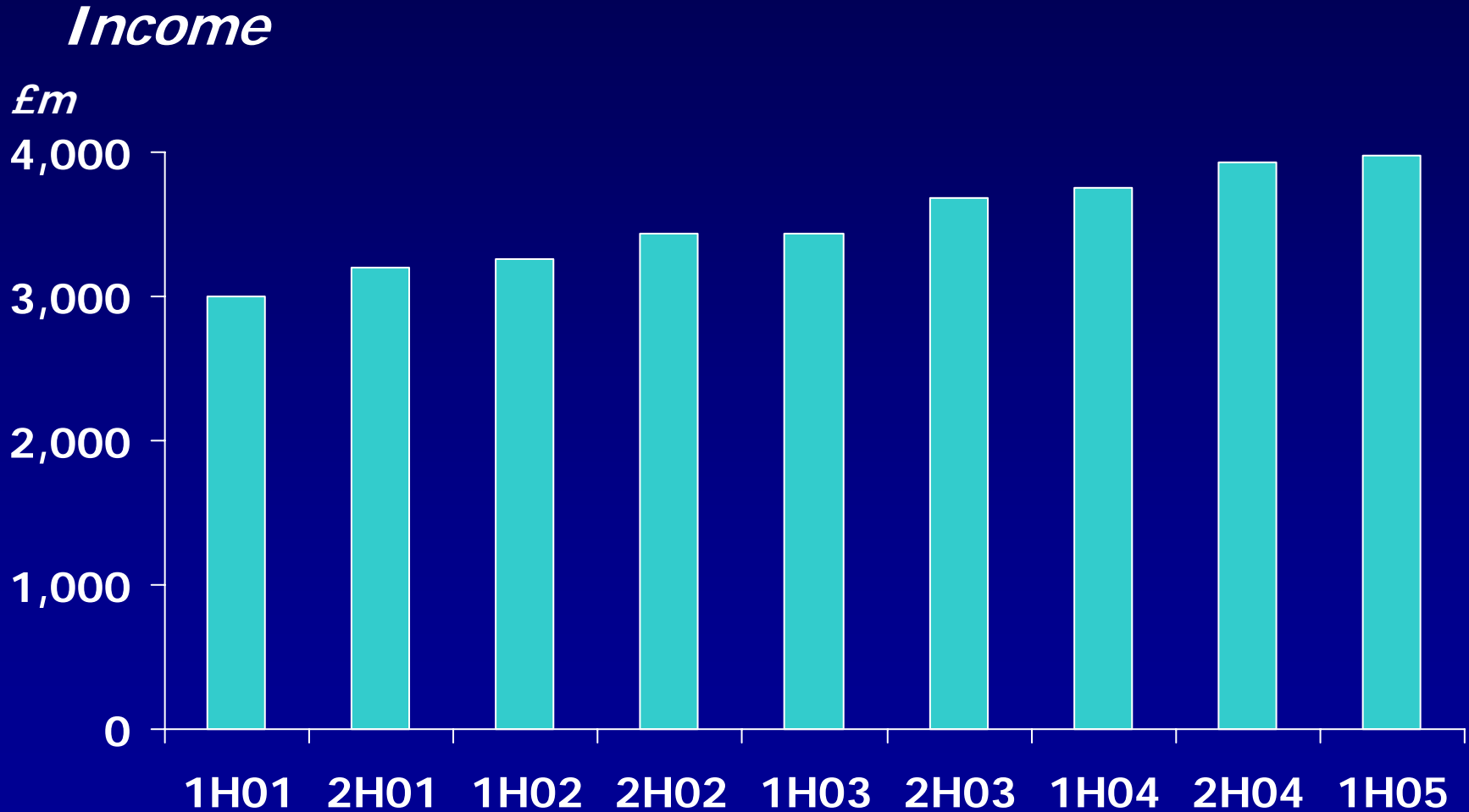
*1H05 Income £3,972m*

**Net Interest Income 55%**



**Non-Interest Income 45%**

# Retail Markets



# Retail Markets

## Customer Lending and Deposits

<i>Average Balances</i>	<i>1H05 £bn</i>	<i>1H04 £bn</i>	<i>Growth %</i>
Mortgages	59.0	50.2	+18%
Personal loans	20.9	18.4	+13%
Credit cards	8.9	8.9	0%
Business loans	15.1	13.8	+9%
Total loans and advances	103.9	91.3	+14%
Total deposits	94.8	89.1	+6%

# Group Net Interest Margin

<b>1H 2004</b>	<b>2.83%</b>
Funding rental assets	-0.02%
<b>Organic mortgage growth</b>	<b>-0.09%</b>
<b>Deposit mix</b>	<b>-0.03%</b>
US yield curve	-0.04%
<b>Consumer loan book – UK</b>	<b>-0.03%</b>
Other	-0.02%
<b>1H 2005</b>	<b>2.60%</b>

# Retail Markets

## Net Interest Margin

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- Mortgage growth
  - Mortgages up 18%, other loans up 9%
- Deposit mix
  - Stronger growth in savings deposits than in money transmission balances
- Consumer lending spreads
  - Repositioning of higher margin personal loans



# Retail Markets

## Asset Quality

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	<i>Jun 2005</i>	<i>Jun 2004</i>
Half year bad debt charge	£570m	£458m
Annualised half year bad debt charge as % of loans and advances	1.05%	0.94%

# Retail Markets Provisions

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- Mortgage provisions are still negligible
- Personal loan provisions have increased broadly in line with previous growth in personal loan portfolio
- The increase in credit card arrears and provisions in 2H04, reported in February, continued in the early months of 2005, but arrears appear to have stabilised in the second quarter
- Business loan provisions have increased in line with book growth

# Retail Markets

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## *Outlook*

- Attractive opportunities in mortgage lending, wealth management and business banking
- Well positioned on brands, product offering and service quality for further growth



*The Royal Bank of Scotland Group*

**Larry Fish**  
**Chairman, President & CEO**  
**Citizens Financial Group**

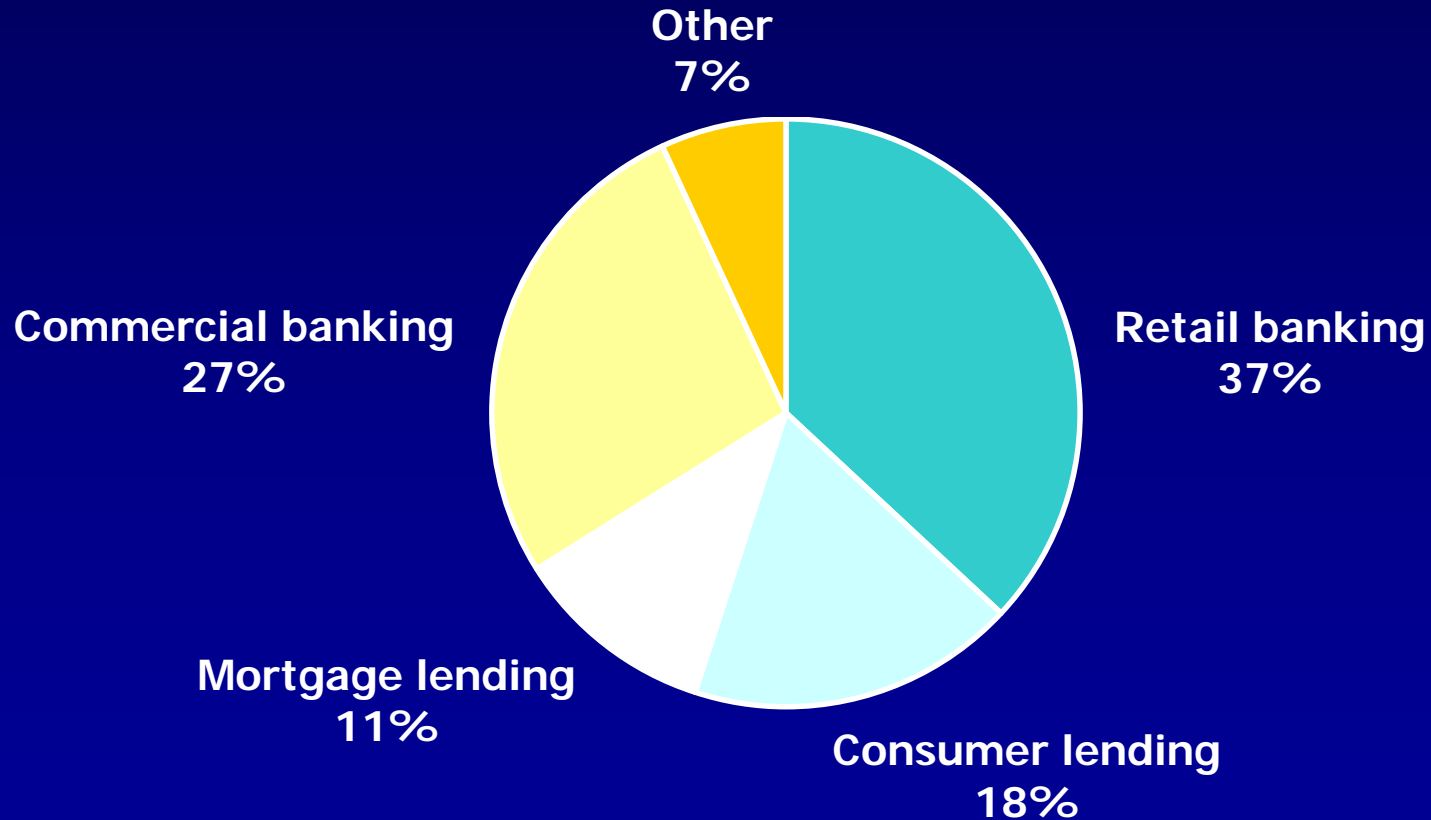
# Citizens Financial Group

	<i>2005</i>	<i>2004</i>	<i>Change</i>
	<i>\$m</i>	<i>\$m</i>	
Net interest income	1,916	1,224	+57%
Non-interest income	985	463	+113%
Total income	2,901	1,687	+72%
Expenses	1,383	804	+72%
Contribution before provisions	1,518	883	+72%
Provisions	115	99	+16%
<b>Contribution</b>	<b>1,403</b>	<b>784</b>	<b>+79%</b>

*2004 pro forma*

# Citizens Financial Group

*1H05 Income \$2,901m*



*Retail banking includes deposits and fees; commercial banking includes loans, deposits and fees*

# Citizens Financial Group

## 'Old Citizens'

- 'Old Citizens' continues to grow and prosper
- Operating profit up 13% 1H04 to 1H05
- Average loans up 17%, average deposits up 9%
- Mellon acquisition continues to be a success
  - #2 deposit share in Philadelphia
- Best place to work in Delaware, New Hampshire and Pittsburgh
- #1 SBA lender in all New England and Mid-Atlantic markets
- #1 penetration of New England small business market

# Charter One

## Conversion Successfully Completed

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- 4 May 04    Announcement
- 31 Aug 04    Closing
- 5 Nov 04    Phase 1 conversion
  - National indirect auto
  - 22 branches: Connecticut, Massachusetts, Pennsylvania
- 12 May 05    Phase 2 conversion
  - 237 branches: New York, Vermont
- 24 Jun 05    Phase 3 conversion
  - 204 branches: Indiana, Illinois
- 21 Jul 05    Phase 4 conversion
  - 306 branches: Michigan, Ohio
- 31 Dec 05    Original target for completion



# Charter One Retail

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- Opened 102 new branches since June 2004
- Converted over 850 ATMs to 'Green Machines'
- Introduced Citizens sales process and incentive programs
- Introduced Citizens relationship products
- Achieved broader product penetration of Charter One current account customers

# Charter One Branches and ATMs



# Charter One Branches and ATMs



# Charter One

## Commercial & Small Business

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- Over 40 Citizens staff relocated to Midwest
- Experienced State Presidents hired or relocated to Illinois, Indiana, Michigan, New York, Ohio and Vermont
- Small business team in place; 170 small business bankers trained and in place
  - #1 SBA lender in market
- Commercial banking team well underway; 75 experienced relationship managers hired, trained and in place
  - Significant customer gains
- Experienced derivatives and foreign exchange team established through relocations and hirings
- Citizens expanded set of commercial and small business products now available to Charter One customers

# Charter One

## Deposit and Loan Growth

<i>Spot Balances</i>	<i>Sep 2004 \$bn</i>	<i>Jun 2005 \$bn</i>	<i>Annualised Growth %</i>
Deposits	28.5	30.0	7%
Consumer loans	14.3	16.0	16%

# Citizens

## Still More to Do

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- Complete integration of Charter One and realize 'transformation' cost savings
- Continue to grow Charter One revenue in retail, commercial and small business areas and increase penetration of small business and mid-corporate markets
- Improve Charter One service and satisfaction levels to those of New England and Mid-Atlantic
- Grow RBS LYNK penetration of merchant and ATM electronic payment-processing markets
- Grow US credit card presence directly and through partnership with Kroger

# Citizens Financial Group

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## *Outlook*

- Charter One on track
- 'Old Citizens' doing well
- Credit quality strong
- Economy positive



# Options for Additional Growth



# Non-Organic Growth

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## *Rules of Engagement*

- Consistency with strategic priorities
- Affordability
- Appetite
- Add value – hurdle, accretive
- Maintain risk envelope
- Disciplined approach

# Options for Additional Growth

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## *UK + Ireland*

- Economy in transition, but prospects satisfactory
- Diversity of activities enables change of focus
- Not seeking acquisitions

# Options for Additional Growth

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## *Europe*

- Economic prospects subdued, but satisfactory where we operate
- Strong organic growth by CBFM and Direct Line
- Not seeking acquisitions

# Options for Additional Growth

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## *US*

- Economic prospects good
- CBFM expansion in debt capital markets
- CBFM collaboration with Citizens
- Opportunities in cards businesses
- Charter One integration performing well
- No capacity for acquisitions

# Options for Additional Growth

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## *Asia*

- Economic prospects good
- Existing businesses CBFM and Coutts continue to grow
- May be potential for joint ventures

# Options for Additional Growth

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## *Acquisitions*

- Acquisitions delivering returns at or above plan
  - Churchill
  - First Active
  - Charter One
- Not seeking further acquisitions
- No plans to issue equity

# Summary

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## *Outlook*

- Continued strong income growth
- Underlying efficiency improving
- Overall credit quality good
- Economic outlook positive
- Diversity of Group continues to provide range of avenues and options for growth



*The Royal Bank of Scotland Group*

# Make it happen

strength

diversity

flexibility